

Austin Area Chapter Association of Certified Fraud Examiners

President's Corner

Tracy Bohmer, CFE, CPA

Welcome back to our monthly luncheon meetings. Hope you had a great summer break. The Board of the Austin Area Chapter has continued to meet in order to plan for the new fiscal year. Be sure to check our website www.austinacfe.com for current info and upcoming events.

In July, the 19th Annual ACFE Fraud Conference & Exhibition was held at Hynes Convention Center in Boston, Massachusetts. David Heater and I attended the Conference this year for our first time. It was quite impressive with an excellent array of keynote and breakout speakers. We had excellent speakers such as Alice Fisher, Asst. Attorney General, Criminal Division, U.S. Department of Justice, Senator George J. Mitchell, Distinguished Diplomat and U.S. Senator, and even an interesting story from Patrick Kuhse a convicted fraudster.

David and I also attended the Chapter Leadership meeting held the day before the conference. We had the opportunity to network with other Chapter Officers, discuss how to increase and maintain membership and offer quality training.

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Chapter Meeting Schedule

Time: 12:00 to 12:50 p.m.
Lunch served promptly at 11:45 a.m.

Location: Nuevo Leon Restaurant
1501 East, 6th Street

Cost: Luncheon Only:
\$11.00 – Chapter Member
\$13.00 – Non-Chapter Member

This Month's Meeting

Date: September 8, 2008

Location: Sgt. William McMyne from Bastrop County Sheriffs Office

Topic: Evidence Collection as it Relates to Fraud and Other Crimes

**register on line: www.austinacfe.com
or
call 512-923-8656**

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In comparison to other Chapters, it appears we are on the right track to sustain a successful Chapter and give our members the tools they need to be successful CFEs. We did bring back some new ideas that the Board is considering implementing. If you have any suggestions about how we can improve our meetings, training or seminars, please contact any Board member.

What You Missed

By Mike Garner, CFE, CIA

If you were not able to attend the May 5, 2008 chapter meeting, you missed a presentation on "Financial Statement Fraud, Trends and Considerations" by Mr. John J. D'Amato, CPA, Director of Internal Audit, FIC Insurance Group, Inc., Austin, Texas. Mr. D'Amato has over 17 years of experience in the insurance and insurance-regulatory fields and was instrumental in driving FIC's Sarbanes-Oxley processes. His presentation focused on today's marketplace and an overview of investigations, reporting, and current trends related to financial statement fraud.

In today's marketplace there is increasing regulatory scrutiny (SEC, DOJ, and State Insurance Departments), increasing complexity (governance activities, investor markets, and SOX), and increasing expectations (transparency, proactive activities, promote perceptions, governance, ethics, and clear responsibility). This is being driven by regulations (SOX, SEC rules, COSO Framework, SAS 99, Federal Sentencing Guidelines, and NYSE Listing Standards), external scrutiny, exposures to corporate criminal liability, and the need to shield directors and officers from personal liability.

Mr. D'Amato discussed the definition of fraud as a misrepresentation of a material fact relied upon by someone to their detriment. Misrepresentation can occur in employee expense reports; vendor and supplier contracts; reports to regulators; financial statements; and in recording transactions.

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AUSTIN AREA CHAPTER OF
THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS
PO Box 13462, AUSTIN, TEXAS 78711

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FISCAL YEAR 2009

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What You Missed, continued from page 2

The core types of fraud are corrupt practices (conflicts of interest, bribery, kick-backs, economic extortion, etc.); asset misappropriation (cash, other assets, intellectual property, etc.), and fraudulent financial statements (financial both internal and external and non-financial). Examples of fraudulent statements include disclosures, loan covenants, insurance claims, tax returns, and regulatory filings.

Financial reporting fraud is the deliberate misrepresentation of a financial condition, intestinal misstatement or omission of amounts in financial states, or intent to deceive financial statement users. The usual pattern is that it starts with pressure, small, and hazy areas of financial reporting. It then grows over time until there is no way out. Mr. D'Amato then related this to the fraud triangle of opportunity, pressure or incentive, and rationalization.

Warning signs of financial reporting fraud include earning that consistently meet budget projections, smooth earning with little volatility, and unusual account movement or large adjusting entries; internal controls that are inherently weak, management is able to override, or poor accounting systems; and management promotes aggressive accounting practices, obsessed with controlling audit process, or allegation by employees of wrongdoing. Financial reporting fraud happens in the areas of revenue recognition (recording of sales that didn't happen or happened in a different period); manipulations of reserves through the use of bad faith estimates or one time charges; and manipulation of expenses and liabilities by failing to properly record expenses or liabilities.

Common accounting areas that are exploited include expenses (capitalization vs. expense, delayed expense recognition), acquisition and restructuring charges, off-balance sheet financing, promotional allowances, and misapplication of the materiality concept. He then discussed a number of examples of financial statement fraud including an invoice scheme, wire fraud scam, payroll scheme, and performance-based compensation.

In closing Mr. D'Amato discussed the investigation process for financial statement fraud including what triggers investigations, when to investigate, why investigation is necessary, and the best processes to use during the investigation.

The Spotlight's On You!

A special feature focusing on members of the Austin Area Chapter of ACFEs

Angela Archie has been a member of the
ACFE

for the past **12** years.

But maybe you didn't know...



Job Description:

I currently serve a dual role at the Association of Certified Fraud Examiners Headquarter as the Member Services Supervisor and the CFE Exam Coach and I enjoy both positions equally the same. I wouldn't change a thing.

What I'm working on now:

I am currently working on the monthly CFE Exam Coach Newsletter. This monthly e-newsletter provides study suggestions, answers to your questions and encouragement to help you complete the process.

Best part of my job:

The best part of my job is helping CFE candidates achieve their goal of becoming a CFE.

Ambition and/or Goals:

My goal to be a motivational speaker on "How to achieve your goals: The future you see is the future you get."

Years of State service:

N/A

My first job:

My very first job was at Monroe City Hall in Monroe, LA

Hobbies:

Working out and going to the movies.

Favorite Movie:

Baby Boom, Urban Cowboy and the Wiz (with the original Michael Jackson) are my top three movies, but just have too many to name

Last book I Read:

Disappearing Acts by Terry Mcmillan

Favorite foods:

My favorite is food seafood. I'm from Louisiana, "what can I say"

Favorite Restaurants:

My favorite restaurant is Pappadeaux. Pappadeaux comes second best to my original down-home seafood cooking.

My pet(s):

I must say that my favorite pet is my dog Co-co. I am really not a dog lover but, I made an exception for my little poodle Co-co; he is like my child.

It's a good day when:

Everyday I wake up is a good day, but what makes it better by knowing that I have made a difference in someone life.

Pet Peeves:

Two of my biggest pet peeves are annoying telemarketers and people text messaging while they are driving.

What I would do with a surprise afternoon off:

Go home and watch the court shows (Judge Judy, Judge Joe Brown and etc...)

I'm most proud of:

I am most proud of my kids; my daughter is a junior in college and my son is a senior in high school